

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03

SSO-00 NSCE-00 INRE-00 USIE-00 /075 R

DRAFTED BY ARA/ECP:SHROGERS

APPROVED BY ARA:HWSHLAUDEMAN

ARA:JGRUNWALD (DRAFT)

ARA/BC:WLOWENTHAL (DRAFT)

EB:JGREENWALD (DRAFT)

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O R 071711Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

C O N F I D E N T I A L STATE 196807

E.O. 11652: GDS

TAGS: ECIN, XM

SUBJECT: BREAKDOWN OF ANDEAN COMMISSION MEETING IN LIMA

1. WE ARE CONCERNED BY REPORTS OF BREAKDOWN OF ANDEAN COMMISSION MEETING THIS WEEK IN LIMA AND BY APPARENT CHILEAN INFLEXIBILITY IN FACE OF WILLINGNESS OF OTHER FIVE TO COMPROMISE ON KEY ISSUES. WE UNDERSTAND THAT JUNTA INCLUDING BARANDIARAN AND PRESIDENT OF COMMISSION WILL VISIT SANTIAGO AUGUST 9 AND 10 FOR TALKS WITH GOC ON RESUMPTION OF NEGOTIATIONS AND WILL SEEK TO MOVE GOC TO
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MORE FLEXIBLE POSITION.

2. IT MIGHT BE USEFUL TO MAKE CLEAR TO CHILEANS THAT U.S. CONTINUES TO FAVOR ECONOMIC INTEGRATION IN LATIN AMERICA. THE SECRETARY MADE THIS POINT IN HIS OASGA STATEMENT ON DEVELOPMENT COOPERATION JUNE 9. WE, OF COURSE, FAVOR A SUBSTANTIAL RELAXATION OF THE FOREIGN INVESTMENT REGIMES IN THE ANDEAN COUNTRIES AND A LIBERAL COMMON EXTERNAL TARIFF, AND WE BELIEVE THE ANDEAN COUNTRIES WOULD BENEFIT FROM BOTH. HOWEVER, WE WOULD HOPE THAT CHILE COULD CONTINUE TO PURSUE THESE OBJECTIVES WITHIN THE ANDEAN GROUP AND THAT THE OVER-ALL OBJECTIVE OF ECONOMIC INTEGRATION WOULD NOT BE LOST. IT IS APPARENT THAT AT LEAST MOST OF

THE MEMBERS OF THE ANDEAN GROUP RECOGNIZE THAT THERE ARE REAL DIFFICULTIES WITH INVESTMENT AND TRADE DECISIONS AND THAT MODIFICATIONS ARE IN ORDER. WE UNDERSTAND TOO THAT THE CXT LEVEL PROPOSED EVEN BY HIGH-TARIFF PROPONENTS IS MODEST BY ANDEAN/LATIN AMERICAN STANDARDS, WHICH IS INDICATION THAT MEMBER GOVERNMENTS RECOGNIZE REALITIES OF THE ECONOMIC SITUATION.

3. SUBJECT TO YOUR JUDGMENT, THE DEPARTMENT REQUESTS THAT YOU MAKE THESE VIEWS CLEAR IN INFORMAL FASHION TO THE GOC. WE MUST, OF COURSE, SEEK TO MINIMIZE THE POSSIBILITY OF RESENTMENT OVER U.S. INTRUSION IN CHILEAN AND ANDEAN AFFAIRS. FROM HERE IT SEEMS AN INFORMAL APPROACH BY THE AMBASSADOR TO MINISTER OF FINANCE CAUAS WOULD BE BEST. IN ANY CASE, DEPUTY ASSISTANT SECRETARY GRUNWALD HOPES TO DISCUSS THE SUBJECT WITH CAUAS DURING GRUNWALD'S VISIT TO SANTIAGO THE WEEK OF AUGUST 30. HABIB

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